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RUEHPU/AMEMBASSY PORT AU PRINCE 4854

C O N F I D E N T I A L SANTO DOMINGO 001371

SIPDIS

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TAGS: ECON ENRG KCOR EINV DR
SUBJECT: FORBES ENERGY CITES CORRUPTION IN ETHANOL PROJECT
DELAYS

REF: A. STATE 85047
1B. SANTO DOMINGO 1353

Classified By: Ambassador PRFannin for Reasons 1.4 (b) and (d)

¶1. (C) SUMMARY. Executives with Forbes Energy met with the Ambassador regarding the company's planned USD 700 million sugarcane ethanol project straddling the Dominican Republic-Haiti border. They said that while they have already obtained all needed permits for the project, which will be based in Manzanillo, Montecristi, Dominican Republic, they continue to face unnecessary delays and moving goalposts that they interpret as prompts for bribes from government officials. They also described two overt solicitations from high-level officials for cash payments. The project is currently held up due to delays in finalizing a negotiated land swap with a state entity; the Ambassador has sent a letter to the top official of this entity requesting a status update. END SUMMARY.

¶2. (U) On August 28, the Ambassador met with Forbes Group CEO Lucien Forbes, Director of External Relations Josh Fenton, and Chief Legal Counsel D. Edward Wilson. Also present were DCM Bullen, EconChief, PAO, EconOff and FCSO. The meeting followed a July 31, 2008 meeting between the company and WHA Assistant Secretary Shannon (ref A).

¶3. (U) The Forbes executives said that the company has been working since 2006 to establish operations in the northern border region to produce ethanol from sugarcane stock primarily for export to the U.S. market. Initially, the plant would denature Brazilian & wet8 ethanol for the United States. Subsequently, the company will produce ethanol from locally-grown sugarcane stock for the domestic and export markets as well as generate 50 MW of electricity from bagasse (sugarcane waste) for sale to the Dominican electricity grid. The major part of the project will operate under the Special Duty-Free Zone tax incentive regime. The local affiliate of the company, Forbes Energy Dominicana, S.A., has already received a 20-year renewable permit for a duty-free zone. The executives said that this will be one of the largest private investments ever in the country and the largest commercial venture of its kind in the world.

¶4. (U) The project would also impact Haiti. While the ethanol and electricity production will all take place in the Dominican Republic, Forbes plans to either cultivate land that it buys or else buy feedstock from Haitian producers directly across the border from its Dominican assets. Forbes said he aims to make the project fully operable with an entirely Haitian-Dominican workforce within five years of launch.

¶5. (SBU) Although the Forbes executives said that the company has obtained all necessary permits to begin the project and negotiated a Power Purchase Agreement (PPA) for the sale of electricity to the local grid, they are awaiting the signature of Radhames Segura, the executive vice president of

the Dominican Corporation of State Electrical Companies (CDEEE), on a land-swap agreement. Although Segura has told Forbes that &It,s done⁸, weeks have passed without a signed agreement.

¶6. (C) The executives said they feel that Segura is moving the goalposts in an attempt to prompt a personal payment for him to facilitate the project,s completion, but noted that he has never directly solicited a bribe. &He knows this is costing me money,⁸ Forbes said. Fenton said that the company would absolutely not pay any bribes and asked the Ambassador to support this position. The executives also mentioned two overt requests for bribes from senior GoDR officials. Forbes said that at the end of 2007 the former Minister of Tourism Felix Jimenez offered to get all necessary permits in exchange for USD 10 million. (Note: Jimenez was removed from his post on August 16 in the inauguration cabinet reshuffle (ref B). However, Jimenez recently told the CONGEN that he was going to be the next Ambassador to Washington after he improves his English. End Note.) They also noted a similarly explicit request for cash from an assistant to the Secretary of Defense whose name they did not recall.

¶7. (C) Forbes also described the project as a victim of a political rivalry between Segura and Juan Temistocles Montas, the Secretary of Economy, Development and Planning. He criticized the Fernandez administration,s inability to transcend the personal impasse between these two officials, both of whom are rumored to have presidential ambitions. He said that while &the problem is Radhames Segura⁸, he wondered whether the true holdup lies with the President himself. He urged the Ambassador to make contacts with key GoDR officials on the company,s behalf.

¶8. (SBU) The Ambassador told Forbes that he appreciated the corruption-related challenges that the company is facing in the Dominican Republic, and described USG efforts to combat the government corruption at the institutional level through USAID programs and other efforts. The Ambassador agreed to write a letter to Segura inquiring into the status of the land swap agreement. The letter was sent on August 28.

¶9. (C) COMMENT. While the corruption issues that Forbes raised are not new or surprising, it was disturbing to hear of the audacity of certain GoDR officials in offering their assistance in exchange for large bribes. It is even more worrisome that Post has now heard from two different sources that Jimenez could be appointed as the next Ambassador to the U.S. Post will consider whether to request a revocation of Jimenez's visa for corruption and looks forward to coordinating with the Department on whether to accept agreement for the former minister if he is nominated as Ambassador to the U.S. END COMMENT.

FANNIN